Message Text

CONFIDENTIAL

50
ACTION EUR-25

INFO OCT-01 NEA-10 ISO-00 SCEM-02 SCI-06 INT-08 AID-20

CEA-02 CIAE-00 COME-00 EB-11 EA-11 FRB-02 INR-10

IO-14 NSAE-00 RSC-01 OPIC-12 SPC-03 TRSE-00 CIEP-02

LAB-06 SIL-01 OMB-01 AF-10 SAJ-01 DRC-01 PA-04 PRS-01

USIA-15 /180 W
--------------------- 019917
R 041839Z JAN 74
FM AMEMBASSY BONN
TO SECSTATE WASHDC 9537
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY THE HAGUE
AMEMBASSY ROME
AMEMBASSY COPENHAGEN
AMEMBASSY BRUSSELS
AMEMBASSY DUBLIN
AMEMBASSY LUXEMBOURG
AMEMBASSY JIDDA
USMISSION EC BRUSSELS
USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 00202

E.O. 11652: GDS
TAGS: ENRG, GW
SUBJECT: GERMAN DOMESTIC OIL SITUATION
1. SUMMARY. THE DRAMATIC PRICE INCREASES OF THE PAST TEN DAYS HAVE USURPED THE IMMEDIATE ATTENTION OF FRG ENERGY POLICY MAKERS WITH THE SUPPLY PROBLEM RELEGATED TO A LEVEL OF SERIOUS CONCERN RATHER THAN CRISIS. THE DECEMBER SUPPLY FIGURES ARE BETTER THAN HAD BEEN EXPECTED BUT SHORTAGES ARE STILL PREDICATED FOR JANUARY.

2. THE FOCUS OF FRG INTEREST ON THE ENERGY CRISIS
CONFIDENTIAL

CONFIDENTIAL

HAS SHIFTED IN THE PAST 1O DAYS SINCE THE TEHRAN AND

TRIPOLI PRICE ANNOUNCEMENTS AND SINCE THE DECEMBER SUPPLY FIGURES HAVE BEEN MADE AVAILABLE. THE PRIMARY ELEMENT OF CONCERN WITHIN THE FRG IS NOW PRICE AND THE SUPPLY PROBLEM, ALTHOUGH STILL SERIOUS, HAS LOST SOME OF ITS CRISIS NATURE. THE FRG NOW ESTIMATES THAT THE MOST RECENT PRICE INCREASES WILL RESULT IN INCREASE OF AT LEAST 18 BILLION DEUTSCHE MARKS FOR TOTAL CRUDE IMPORTS FOR 1974 OVER AND ABOVE WHAT WAS EXPECTED AFTER THE EARLIER OCTOBER PRICE INCREASES. THE TOTAL INCREASE IN PRICE OF 1974 CRUDE IMPORTS COMPARED WITH 1973 WILL OBVIOUSLY BE MUCH HIGHER ALTHOUGH THE FRG IS NOT YET PREPARED TO ESTIMATE THIS FIGURE.

3. OUR FRG SOURCES ESTIMATE THAT THESE PRICE INCREASES WILL RESULT IN SUBSTANTIAL INFLATIONARY PUSH FOR 1974 ALTHOUGH THEY HAVE NO FIRM ESTIMATES AS YET. THEY ESTIMATE THAT THE INCREASES WILL ALSO HAVE A NEGATIVE EFFECT ON BALANCE OF PAYMENTS ALTHOUGH THEY NOTE THAT ONE RESULT OF THE SHIFT IN THE NATURE OF THE PROBLEM FROM SUPPLY TO PRICE WILL BE THAT WHILE NETHERLANDS AND GERMANY HAD BEEN THE MOST AFFECTED UNDER THE EARLIER CIRCUMSTANCES, NOW THE UK, FRANCE ANO ITALY WILL FEEL THE MOST BALANCE OF PAYMENTS PRESSURE.

4. ACCORDING TO OUR GOVERNMENT SOURCES THE SUPPLY PICTURE IN GERMANY IN DECEMBER WAS BETTER THAN HAD BEEN ANTICIPATED WITH A TOTAL SHORTFALL OF ONLY 7-8 PERCENT OF ANTICIPATED DECEMBER DEMAND. CRUDE DELIVERIESWERE REPORTED AS "NORMAL" WITH ALL THE SHORTFALL RESULTING FROM A 4O PERCENT SHORTFALL IN PRODUCT IMPORTS. DURING DECEMBER STOCKS OF GAS IN THE FRG ACTUALLY INCREASED WHEREAS STOCKS OF LIGHT HEATING OIL DECLINED BY ONLY 2 DAYS AND HEAVY HEATING OIL BY ONLY 3 DAYS. GERMAN REFINERIES ARE RUNNING AT - PRACTICALLY 1OO PERCENT OF CAPACITY AND WE HAVE LEARNED FROM HOECHST THAT IT IS HAVING NO DIFFICULTY PROCURING THE NECESSARY SUPPLIES FOR ITS PETRO-CHEMICAL PRODUCTION.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BONN 00202 01 OF 02 041854Z

5. THERE ARE SEVERAL EXPLANATIONS FOR THE BETTER THAN ANTICIPATED SITUATION IN DECEMBER. DEMAND HAS BEEN REDUCED BY CONSERVATION MEASURES. FOR EXAMPLE THE FRG ESTIMATES GASOLINE SAVINGS OF 18 PERCENT OVER PROJECTED DEMAND. THE COAL RECONVERSION PROGRAM IS GOING BETTER THAN EXPECTED AND ACCORDING TO THE GOVERNMENT THIS HAS RESULTED IN A SHIFT FROM HEAVY FUEL OIL TO COAL OF 35O,OOO TONS IN DECEMBER AND

AN ESTIMATED 45O,OOO TONS IN JANUARY. SUPPLIES HAVE
ALSO INCREASED TO GERMAN PORTS AND WILHELMSHAVEN HAD
RECORD CRUDE DELIVERIES IN DECEMBER. OUR INDUSTRY
SOURCES TELL US THAT THE PROFIT SITUATION IN
THE OIL INDUSTRY IS SUCH THAT MORE MONEY CAN BE MADE
BY REFINING CRUDE IN GERMANY THAN ELSEWHERE IN EUROPE
ANO CONSEQUENTLY THERE HAS BEEN ECONOMIC INCENTIVE
ATTRACTING CRUDE TO GERMANY. IT IS ALSO CLEAR
THAT CONSIDERABLE CRUDE AND PRODUCT IS CONTINUING
TO FLOW THROUGH ROTTERDAM PIPE LINE.

6. THE CONSULATE IN HAMBURG REPORTS THAT THE MAJOR

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BONN 00202 02 OF 02 041855Z

50
ACTION EUR-25

INFO OCT-01 NEA-10 ISO-00 SCEM-02 SCI-06 INT-08 AID-20

CEA-02 CIAE-00 COME-00 EB-11 EA-11 FRB-02 INR-10

IO-14 NSAE-00 RSC-01 OPIC-12 SPC-03 TRSE-00 CIEP-02

LAB-06 SIL-01 OMB-01 AF-10 SAJ-01 DRC-01 PA-04 PRS-01

USIA-15 /180 W

--------------------- 019927

R 041839Z JAN 74
FM AMEMBASSY BONN
TO SECSTATE WASHDC 9538
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY THE HAGUE
AMEMBASSY ROME
AMEMBASSY COPENHAGEN
AMEMBASSY BRUSSELS
AMEMBASSY DUBLIN
AMEMBASSY LUXEMBOURG
AMEMBASSY JIDDA
USMISSION EC BRUSSELS
USMISSION OECD PARIS

OIL COMPANIES REPORT A SHORTFALL OF FROM 10 TO 15 PERCENT FOR DECEMBER WITH THE PROPORTION VARYING BY COMPANY BETWEEN CRUDE AND PRODUCT. ASSUMING THE ACCURACY OF BOTH THE GOVERNMENT AND THESE COMPANIES' FIGURES IT WOULD APPEAR THAT A SUBSTANTIAL AMOUNT OF OIL ESPECIALLY CRUDE MADE ITS WAY INTO GERMANY IN DECEMBER VIA INDEPENDENT CHANNELS.

7. THE GOVERNMENT'S ESTIMATE FOR THE JANUARY SUPPLY

SHORTFALL IS 20 PERCENT OVER ESTIMATED JANUARY DEMAND. IT HAS ESTIMATED JANUARY DEMAND AT APPROXIMATELY 7 PERCENT HIGHER THAN JANUARY 1973. SINCE DEMAND FOR JANUARY 1974 WILL IN ALL LIKELIHOOD NOT RISE BY THE AMOUNT OF GOVERNMENT PROJECTION IT SEEMS CLEAR THAT GOVERNMENT NEED NOT IMPLEMENT ANY NEW CONSUMPTION RESTRICTION MEASUR ES IN ADDITION TO THE ALREADY IMPOSED SPEED LIMITS AND WEEKEND DRIVING RESTRICTIONS. THE GOVERNMENT IS ALSO WORKING TO CONNECT THE WILHELMSHAVEN AND ROTTERDAM PIPE LINE SYSTEMS TO FACILITATE THE DELIVERY OF CRUDE TO REFINERIES TIED TO THE ROTTERDAM LINE.

8. COMMENT. THE SHIFT OF ATTENTION AWAY FROM SUPPLY CONSTRAINTS TOWARD PRICE EFFECTS WILL HEIGHTEN THE ALREADY HIGH LEVEL OF FRG CONCERN WITH THE INFLATION EFFECTS OF THE ENERGY CRISIS. AS YET WE HAVE NO INDICATION OF ANY ADDITIONAL MEASURES THE GOVERNMENT INTENDS TO TAKE TO DEAL WITH THESE PROBLEMS. THE ECONOMICS MINISTRY HAS TOLD US THAT ONE MEASURE IT DOES NOT INTEND TO TAKE IN THE NEAR FUTURE IS TO LOWER GAS TAXES AS AN INFLATION COMBATTING DEVICE. THE LAST THING IT WANTS TO DO WE WERE TOLD IS TO FURTHER STIMULATE DEMAND FOR GASOLINE PRODUCTS.

HILLENBRAND

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, SUPPLIES
Control Number: n/a
Copy: SINGLE
Draft Date: 04 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BONN00202
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740163/aaaacgyt.tel
Line Count: 213
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 14 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 APR 2002 by kelleyw0>; RELEASED <14 MAY 2002 by garlanwa>; APPROVED <14 MAY 2002 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GERMAN DOMESTIC OIL SITUATION
TAGS: ENRG, GE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005